

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 23, 1999

IN RE:)
)
JOINT APPLICATION FOR AUTHORITY TO) **DOCKET NO. 99-00060**
TRANSFER CONTROL OF COASTAL)
TELECOM, LIMITED LIABILITY COMPANY)
TO ECLIPSE TELECOMMUNICATIONS, INC.)

ORDER APPROVING TRANSFER OF CONTROL AND MERGER

This matter came before the Tennessee Regulatory Authority ("Authority") on the Joint Application ("Joint Application") of Eclipse Telecommunications, Inc. ("Eclipse") and Coastal Telecom, L.L.C. ("Coastal") for approval of a transfer of control of Coastal to Eclipse pursuant to Tenn. Code Ann. § 65-4-112. The Directors of the Authority considered this matter at a regularly scheduled Authority Conference held on February 16, 1999.

From the Joint Application and the record existing in this matter, the Authority has determined the following:

1. Eclipse and Coastal request that the Authority approve, pursuant to Tenn. Code Ann. § 65-4-112, the transfer of control of Coastal to Eclipse and its affiliate, IXC Internet as set forth in the Joint Application, and as further described below. This transfer will be accomplished through a transaction whereby Coastal will be merged with and into Eclipse and IXC Internet, resulting in Eclipse gaining a ninety-nine percent (99%) membership interest in Coastal and the remaining one percent (1%) membership interest being held by IXC Internet.

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2. Eclipse, a Delaware corporation, maintains its headquarters at 1122 Capital of Texas Highway South, Austin, Texas 78746-6426. Eclipse, as a wholly owned subsidiary of IXC Communications Services, Inc., currently operates as a reseller of intrastate interexchange services in forty-eight (48) states, including Tennessee. Eclipse received its authority to provide telecommunications services in Tennessee under the name Network Long Distance, Inc. on August 2, 1995, in Docket No. 95-02659.¹ Eclipse also provides interstate and international telecommunications services pursuant to authority of the Federal Communications Commission ("FCC").

3. Coastal, a Tennessee Limited Liability Company, is currently composed of two member entities – the Andrew M. Bursten 1994 Trust and the Riva Bursten 1994 Trust. Coastal maintains its headquarters at 2 Riverway, Suite 800, Houston, Texas 77056. Coastal provides resold intrastate interexchange telecommunications services in nine (9) states, including Tennessee. Coastal received its authority to provide telecommunications services in Tennessee on August 23, 1995 in Docket No. 95-02904.

4. According to the Joint Application, after the proposed transfer of control has occurred, Eclipse will be the sole survivor of the merger and Coastal will abandon its certificate in Tennessee. Eclipse will continue to serve its customers pursuant to its existing authorization. Eclipse will incorporate into its tariffs Coastal's tariffed prices, terms and conditions of service for current Coastal customers. Further, Coastal will continue to be led by a team of telecommunications managers comprised, in part, of existing personnel. Thus, the transfer of control will be transparent to, and will have no adverse effects on Coastal customers in Tennessee.

¹ Network Long Distance, Inc.'s name change to Eclipse was approved in Case No. 98-00508.

I. CRITERIA FOR APPROVING MERGER

A merger between regulated public utilities is not valid until approved by the Authority under the provisions of Tenn. Code Ann. § 65-4-112. In addition, under Tenn. Code Ann. § 65-4-101, any entity that owns, operates, manages or controls utility systems, plant or equipment under certification by this Authority, or its predecessor, the Tennessee Public Service Commission, to provide utility service in the state of Tennessee is a public utility. Since this merger involves two entities holding certificates in Tennessee, Authority approval is required under the provisions of Tenn. Code Ann. § 65-4-112(a). This Section provides for the following:

(a) No lease of its property, rights, or franchises, by any such public utility, and no merger or consolidation of its property, rights and franchises by any such public utility with the property, rights and franchises of any other such public utility of like character shall be valid until approved by the authority, even though power to take such action has been conferred on such public utility by the state of Tennessee or by any political subdivision of the state. (Emphasis supplied).

II. FINDINGS OF FACT AND CONCLUSIONS OF LAW

After consideration of the entire record in this matter, including the Joint Application, the Directors find and conclude as follows:

1. That the Authority has jurisdiction over the subject matter of the Joint Application pursuant to Tenn. Code Ann. § 65-4-112;
2. That the proposed transfer of control will be accomplished through a transaction whereby Coastal will merge with and into Eclipse;
3. That both Coastal and Eclipse have been engaged in the business of providing telecommunications services in Tennessee;
4. That after the proposed transfer of control, Coastal will cease to operate as reseller of intrastate interexchange telecommunications services in Tennessee.

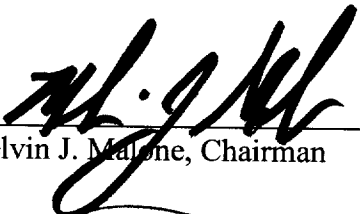
5. That based upon the foregoing, the merger and transfer of control is reasonable and compatible with the public interest and should be granted.

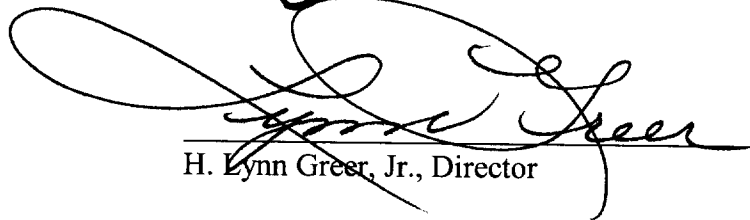
IT IS THEREFORE ORDERED THAT:

1. The Joint Application requesting approval of the merger of Coastal Telecom, L.L.C. and Eclipse Telecommunications, Inc. is approved.

2. The Certificate of Public Convenience and Necessity granted to Coastal Telecom, L.L.C., by the Tennessee Public Service Commission in Docket No. 95-02904 is cancelled.

3. Any party aggrieved by the Authority's decision in this matter may file an Application for Reconsideration with the Authority within ten (10) days from and after the date of this Order.


Melvin J. Malone, Chairman


H. Lynn Greer, Jr., Director


Sara Kyle, Director

ATTEST:


K. David Waddell, Executive Secretary